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LISTING STATEMENT NO. 2469.

LISTED FEBRUARY 18, 1971.

10,000,000 shares of \$US.01 par value.

Stock Symbol "POC".

Post Section 1.4.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

PAN OCEAN OIL CORPORATION

A Delaware corporation organized September 4, 1968, under name Oceania Oil Corporation

1. Address of the Company's Head Office and of any other offices:

110 East 59th Street, New York, N.Y. 10022; 515 Majestic Building, Denver, Colorado 80202.

Operations offices—

Pan Ocean Oil Corporation (Texas), 200 Wilkinson-Foster Building, Midland, Texas 79701.

Pan Ocean Oil (Canada) Ltd., 970 No. 3 Calgary Place, Calgary, Alberta, Canada.

Pan Ocean Oil (U.K.) Ltd. 15 Berkeley Street, London W.1., England.

Oceanica Petroli Italiana, S.p.A., Via Lungotevere Mellini 44, 00193 Rome, Italy.

Pan Ocean Oil (Nigeria) Ltd., Western House, 8/10 Yakubu Gowon Street, Lagos, Nigeria.

2. Officers of the Company:

Office Held	Name	Address	Occupation
Chairman	Stanley R. Rawn, Jr.	New York, N.Y.	Executive
President	William W. Peabody	Denver, Colorado	Executive
Vice President	F. W. Popp	London, England	Executive
Vice President	Peter A. Banker	New York, N.Y.	Executive
Vice President	Victor E. Trudel	Calgary, Alberta	Executive
Vice President, Secretary and Treasurer	Gerald P. Taber	New York, N.Y.	Executive
Controller	Thomas P. Sullivan	New York, N.Y.	Executive

3. Directors of the Company:

Name	Address	Occupation
Peter A. Banker	New York, N.Y.	Executive
John M. Emery	New York, N.Y.	Lawyer
Yasuhiro Goh	Tokyo, Japan	Executive
Donald B. Lamont	New York, N.Y.	Executive
Dan W. Lufkin	New York, N.Y.	Investment Banker
Louis Marx, Jr.	New York, N.Y.	Investor
Neil A. McConnell	New York, N.Y.	Investor
William W. Peabody	Denver, Colorado	Executive
Stanley R. Rawn, Jr.	New York, N.Y.	Executive
Samuel P. Reed	New York, N.Y.	Executive

4. Names and addresses of all transfer agents:

Bankers Trust Company, 485 Lexington Avenue, New York, N.Y. 10017.

The Canada Trust Company, 110 Yonge Street, Toronto, Ontario.

5. Particulars of any fee charged upon transfer other than customary government taxes:
Transfer fee of \$.75 payable by the transferee for transfers in Canada.
6. Names and addresses of all registrars:
Bankers Trust Company, 485 Lexington Avenue, New York, N.Y. 10017.
The Canada Trust Company, 110 Yonge Street, Toronto, Ontario.
7. Amount of authorized capital: \$100,000 divided into 10,000,000 common shares.
8. Number of shares and par value: 10,000,000 common shares, par value \$US.01.
9. Full details of all shares issued in payment for properties or for any other assets other than cash:

Date	Number of Shares	Brief description of the properties or other assets and the aggregate consideration therefor, expressed in cash, shares, etc.
April 1, 1969	375,000	Norwegian North Sea, Dutch North Sea, South Africa
April 1, 1969	500,001	Norwegian North Sea, Dutch North Sea, South Africa, and Maldiv Islands
December 30, 1969, March 31, 1970, and August 31, 1970	454,366	Texas (gas wells) plus gathering system, processing plant and distribution system
February 9, 1970	326,531	U.S.A.
June 30, 1970	140,000	U.S.A.
July 1, 1970	13,412	Platinum exploration concession offshore Alaska
Total	1,809,310	

A portion of the Company's interest in undeveloped leaseholds and mineral rights involved the assignment of interests from Pentagon Petroleum, Inc., an affiliated company, for 500,001 shares of common stock and acquisition of all the outstanding stock of Saratoga Minerals, Ltd. for 375,000 shares of common stock. Saratoga was a non-affiliated company whose only asset consisted of interests in undeveloped leases and concessions in the Norwegian North Sea, Dutch North Sea, South Africa, and South-West Africa. The Pentagon assignment comprised an interest in the Maldiv Islands (Indian Ocean) and interests in the same leases and concessions held by Saratoga. The Pentagon and Saratoga interests were recorded at \$1,000,002 and \$750,000, respectively. In the opinion of the Board of Directors, such amounts represented the fair value of the properties at date of acquisition.

Developed oil and gas properties include certain natural gas wells and related facilities in Crockett County, Texas, received in exchange for 454,366 shares of common stock. The net assets received were recorded at a total amount of \$7,850,000. Such amount is supported by estimates made by an independent appraisal engineer of future cash flow discounted at 8%.

Pentagon Petroleum, Inc., and, indirectly, another shareholder of the Company held significant interests in the Texas properties prior to the above exchange.

On February 9, 1970, the Company acquired all the outstanding shares of Vaneil Properties, Inc. by the issuance of 326,531 shares of common stock. On June 30, 1970, the Company acquired all the outstanding shares of Pocantico Oil & Gas Corp. by the issuance of 140,000 shares of common stock. On July 2, 1970, the Company acquired all the outstanding shares of Ocean Platinum Company by the issuance of 13,412 shares of common stock. The assets of these companies consisted principally of oil and gas properties, marketable securities and minority holdings of common stock in certain oil and gas companies.

During the period from February 9, 1970, to April 30, 1970, the marketable securities of Vaneil were sold for cash for \$4,786,000. After making provision for an estimated \$1,465,000 capital gains tax on sale of these marketable securities, the net assets of Vaneil at the date of acquisition had an estimated fair value of \$4,870,000. The net assets of Pocantico and Ocean Platinum at the date of acquisition had an estimated fair value of \$1,470,000 and \$203,000 respectively.

The above acquisitions were recorded as purchase transactions for accounting purposes and hence the assets and liabilities of these companies were recorded at their estimated fair values and the accompanying statement of loss includes the operations of these companies from their respective dates of acquisition.

10. Full details of all shares sold for cash:

Date	Number of Shares	Price Per Share	Amount Realized by Company
December, 1968	1,800,000	\$US 0.167	\$US 300,000.00
April and May, 1969	247,500	2.67	660,000.00
September, 1969	400,000	8.00	2,944,000.00
December, 1969	37,500	20.00	750,000.00
December, 1969	66,115	30.25	1,999,978.75
December, 1969	180,000 (option)	0.167	30,000.00
August, 1970	1,691	12.50	21,150.00
Total	2,732,806		\$US6,705,128.75

11. Total number of shares issued: 4,542,116.
12. Number of shares now in treasury or otherwise unissued: 5,457,884 unissued.
13. Particulars of any issued shares held in trust for the Company or donated for treasury purposes:
Not applicable.
14. Date of last annual meeting: July 22, 1970.
15. Date of last report to shareholders: May 31, 1970, for year ended December 31, 1969.

16. Details of any treasury shares (or shares issued subject to payment or shares held for the benefit of the treasury) now under option or the subject of any underwriting or sales agreement. If none, this to be stated.	Number of Shares a) Originally Reserved b) Issued c) Remaining shares reserved										
	1968 Stock Option Plan 300,000 180,000 120,000 Under 1968 plan, options remaining to be exercised have been granted for 114,500 shares at prices ranging from \$8 to \$21 per share. No shares are subject to underwriting or sales agreements. Please refer to 1968 Option Plan, Item 17, and Note 8, Page 17. Options may be issued under this plan only to key employees of the Company. The 1968 plan is designed to be a qualified employee stock option plan under U.S. Internal Revenue Code.										
17. Names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares or other securities or assignments, present or proposed.	Under 1968 Stock Option Plan Stanley R. Rawn, Jr.—50,000—New York, N.Y. F. W. Popp—22,000—London, England. M. J. Gerrard—5,000—Denver, Colorado. T. R. Pearson—5,000—Calgary, Alberta. G. P. Taber—7,500—New York, N.Y. Dwain Bond—5,000—Denver, Colorado. Peter A. Banker—20,000—New York, N.Y.										
18. Details of any payments in cash or securities of the Company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	Not applicable.										
19. Details of any shares pooled, deposited in escrow, non-transferable or held under any voting trust agreement, syndicate agreement or control.	An aggregate of 43,625 shares, part of the aggregate of 92,715 shares which, it is anticipated, will be issued on or about November 9, 1970, in exchange for all of the common stock of Inter-ocean Oil Company, Inc., be held in escrow by Bankers Trust Company, New York, N.Y., under the terms of an agreement which will provide that such shares are subject to release upon the consent of Pan Ocean or upon receipt by Bankers Trust Company of certain documents from the Federal Government of Nigeria and of certain legal opinions from Nigerian solicitors. Of the 4,542,116 shares outstanding at October 15, 1970, 4,142,116 shares had not been registered with the United States Securities and Exchange Commission. Certificates representing such shares bear a legend restricting their transferability.										
20. Names and addresses of owners of more than a 5% interest in pooled or escrowed shares and their shareholdings. (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Persons entitled to receive more than 5% of those shares which will be escrowed with Bankers Trust Company under the agreements referred to in Item 19 above are: Donald B. Lamont, New Canaan, Connecticut. Trust Ferpedro Reg., a Liechtenstein Trust, Geneva, Switzerland. Fernando E. Tricerri, Geneva, Switzerland.										
21. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	As of October 15, 1970 <table> <tr> <td>Louis Marx, Jr. New York, N.Y.</td><td>856,000</td></tr> <tr> <td>Pentagon Petroleum, Inc., New York, N.Y.</td><td>518,999</td></tr> <tr> <td>Louis Marx & Co. Inc., New York, N.Y., Pension Trust L.</td><td>330,000</td></tr> <tr> <td>Neil A. McConnell, New York, N.Y.</td><td>277,550</td></tr> <tr> <td>Angus A. Mackenzie, London, England</td><td>220,000</td></tr> </table>	Louis Marx, Jr. New York, N.Y.	856,000	Pentagon Petroleum, Inc., New York, N.Y.	518,999	Louis Marx & Co. Inc., New York, N.Y., Pension Trust L.	330,000	Neil A. McConnell, New York, N.Y.	277,550	Angus A. Mackenzie, London, England	220,000
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22. Names and addresses of persons whose shareholdings are large enough to materially affect control of the Company.	Louis Marx, Jr. New York, N.Y. 856,000 Pentagon Petroleum, Inc., New York, N.Y. 518,999 Louis Marx & Co. Inc., New York, N.Y., Pension Trust L. 330,000																																								
23. Details of any registration with or approval or authority for sale granted by or any filing with a Securities Commission or corresponding Government body.	400,000 shares registered with Securities and Exchange Commission and underwritten by R. W. Pressprich & Co. Incorporated, New York, N.Y., under prospectus dated September 3, 1969, registration No. 2-33487.																																								
24. Has any application for registration with or approval or authority for sale by or any filing with a Securities Commission or corresponding Government body ever been refused, cancelled, suspended or revoked? If so, give particulars.	No.																																								
25. Particulars of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	On July 21, 1970, the Company received from Pioneer Lands Corporation \$10,000,000 cash for an 8% Convertible Subordinated Note which is convertible into common stock of the Company at \$12.50 per share. If full conversion were effected, 800,000 shares would be issued by the Company to Pioneer. The Company may prepay the Note at any time subject to certain prepayment penalties. The Note is unsecured. Pioneer Lands Corporation is principally owned by one of the founders of the Company. \$850,000 of notes payable to bank is secured by pipeline, equipment, and contract rights relating to certain developed natural gas properties located in Crockett County, Texas. Negotiations are in progress to refinance notes payable to banks in the total amount of \$2,075,000; accordingly, only \$500,000 of such amount is includible in current liabilities. The remainder of \$1,575,000 is expected to be payable in approximate equal amounts over the three years ending August 31, 1974. A wholly-owned subsidiary of the Company has outstanding \$1,953,557 principal amount of 5% notes due January 1, 1972.																																								
26. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	<table><tr><th>Investment</th><th>Common Shares</th><th>Cost or Book Value</th><th>Market Value as of August 31, 1970</th></tr><tr><td>United Bata Resources Ltd. . . .</td><td>450,000</td><td>\$1,427,947</td><td>\$1,441,443</td></tr><tr><td>Aztec Oil & Gas Company . . .</td><td>110,734</td><td>1,139,475</td><td>1,384,175</td></tr><tr><td>Panoil Company</td><td>355,000</td><td>710,000</td><td>798,750</td></tr><tr><td>Coastal Plains Oil Company*</td><td>239,890</td><td>125,000</td><td></td></tr><tr><td>International Petro Data Inc.</td><td>97,159</td><td>60,000</td><td>24,290</td></tr><tr><td>Anzpac Petroleum Corp.* . . .</td><td></td><td>1,250</td><td></td></tr><tr><td>Syracuse Oils Norge A/S* . . .</td><td></td><td>156,154</td><td></td></tr><tr><td>Woodford Oil & Gas Ltd.* . . .</td><td></td><td>226,404</td><td></td></tr><tr><td>Tur-Kan Petrol Ltd.*</td><td></td><td>3,079</td><td></td></tr></table> *No readily ascertainable market value.	Investment	Common Shares	Cost or Book Value	Market Value as of August 31, 1970	United Bata Resources Ltd. . . .	450,000	\$1,427,947	\$1,441,443	Aztec Oil & Gas Company . . .	110,734	1,139,475	1,384,175	Panoil Company	355,000	710,000	798,750	Coastal Plains Oil Company*	239,890	125,000		International Petro Data Inc.	97,159	60,000	24,290	Anzpac Petroleum Corp.* . . .		1,250		Syracuse Oils Norge A/S* . . .		156,154		Woodford Oil & Gas Ltd.* . . .		226,404		Tur-Kan Petrol Ltd.*		3,079	
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27. Enumerate fully each of the following property classifications, giving claim or property numbers, approximate acreage, townships and mining camp or oil field:	See Appendix A, pages 8, 9, 10, 11, and 12.																																								
(a) Properties owned where titles vested in Company.																																									
(b) Properties leased.																																									
(c) Properties otherwise held. Give particulars of title held by the Company in each instance, (e.g., patented, unpatented, Crown granted, held under mining license, perpetual lease, etc.)																																									

28. Full particulars of any royalties or other charges payable upon production from each individual property.	See Appendix B, page 13.
29. Names and addresses of vendors of any property or other assets intended to be purchased by the Company showing the consideration to be paid.	<i>Proposed Agreement with United Bata Resources Limited:</i> On September 21, 1970, Pan Ocean and United Bata Resources Limited (N.P.L.) ("Bata") agreed in principle to a plan of re-organization whereby the companies would combine their operations and assets. Shareholders of Bata would receive one common share of Pan Ocean in exchange for three common shares of Bata. Pan Ocean would be the surviving corporation with the present management and employees of Bata continuing operations as a subsidiary of Pan Ocean. The agreement in principle is subject to the execution of a definitive and formal agreement to be approved by the boards of directors of both companies, the obtaining of satisfactory rulings from taxation and regulatory authorities, the listing of the common stock of Pan Ocean on a recognized securities exchange in Canada, and approval by 75% of the shares of Bata voted or represented at the stockholders meeting. The re-organization is to be effected as promptly as practicable, with target date being December 31, 1970. If all the 9,401,460 Bata shares outstanding and reserved for issuance as of June 30, 1970, were exchanged for Pan Ocean shares, it would require the issuance of 3,133,820 additional shares by Pan Ocean. Outstanding shares of Pan Ocean would then total 7,675,936. Pan Ocean has been informed that Bata, a company whose shares are listed on The Toronto Stock Exchange, currently has more than 6,000 stockholders, approximately 75% of whom are located in Canada.
30. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	The Company has no knowledge as to whether any person will receive a greater than 5% interest in the shares to be received by the shareholders of Bata in the proposed acquisition described in the answer to Item 29, above. The vendor is a publicly-held limited company. The Company has no knowledge as to whether any person has a greater than 5% interest in the vendor company.
31. Are any lawsuits pending or in process against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so explain fully.	No.
32. Describe plant and equipment on property or properties.	The Company's facilities in Crockett County, Texas, comprise 48 producing or productive gas slant distillate wells, 60 miles of gathering lines, a 25 MMCF per day processing plant, and an 8-mile transmission line. The Company also has oil and gas well head equipment throughout its producing properties.
33. Describe all development accomplished and planned.	The Company has acquired oil and gas wells throughout Texas, Oklahoma, Mississippi, New Mexico, and Louisiana, and plans further development of its gas production in Texas. It is currently participating in wells now being drilled offshore in Ghana and onshore in Turkey.
34. Date and author of mining or petroleum engineer's or geologist's report filed with this application and available for inspection on request.	1. Appraisal Summary—Prospective Land Holdings—Canada, dated May 15, 1970, prepared by James A. Lewis Engineering Co. Ltd., Calgary, Alberta. 2. Reserve Determination and Economic Evaluation, Ozona (Canyon Sand) and Hudspeth (Strawn) Fields, Crockett County, Texas, dated July 31, 1970, prepared by Clyde S. McCall, Jr., Consulting Petroleum Engineer, 607 Vaughn Building, Midland, Texas. 3. Evaluation of Certain Properties of the Pocantico Oil and Gas Corporation in Louisiana, New Mexico, and Texas, as of October 1, 1969, dated October 29, 1969, prepared by Schafer Engineering, Petroleum Engineers, Mercantile Continental Building, Dallas, Texas.
35. Full particulars of production to date.	The Company's production through August 31, 1970, net after royalty, has been 1,224,375 MCF of gas and 58,566 barrels of oil.

36. Have any dividends been paid? If so, give date, per share rate, and amount paid in dollars on each distribution.	No.
37. Name and address of the solicitor or attorney whose certificate that the applicant is a valid and subsisting company and that the shares which have been allotted and issued were legally created and are fully paid and non-assessable has been filed with the Exchange.	Breed, Abbott & Morgan Telephone (212) 944-4800 One Chase Manhattan Plaza New York, N.Y. 10005. To the attention of John Emery
38. (a) Have any shares of the Company ever been listed on any other stock exchange? If so, give particulars.	No.
(b) Is any application for listing the shares of the Company on any other stock exchange now pending or contemplated? If so, give particulars.	No.
(c) Has any application for listing of any shares of the Company ever been refused or deferred by any stock exchange? If so, give particulars.	No.
39. Particulars of the principal business in which each officer and director has been engaged during the past five years, giving the length of time, position held and name of employing company or firm.	Peter A. Banker, Vice President and Director. Petroleum business. 1965-1969, Attorney, Standard Oil Co. (N.J.). 1969-1970, Pan Ocean Oil Corporation. John Emery, Director. Attorney. 1965-1970, Partner, Breed, Abbott & Morgan, New York. Yasuhiro Goh, Director. Petroleum business. 1965-1970, Managing Director, Bridgestone Liquefied Petroleum Gas Company, Tokyo. Donald B. Lamont, Director. Petroleum business. 1965-1969, President and Director Canso Oil Co., New York. 1969-1970, President and Director of Interocean Oil Company since inception in February, 1969. Dan W. Lufkin, Director, Investment business. 1965-1970, Chairman of the Board, Donaldson, Lufkin & Jenrette, Inc., New York. Louis Marx, Jr., Director and Chairman of the Executive Committee. Investments. 1965-1970, President and Director, Pioneer Lands Corporation, New York; Director and Chairman of the Executive Committee, Overseas National Airways. Neil A. McConnell, Director. Investment business. 1965-1970, Partner in investment firm of McConnell, Melhado, New York. William W. Peabody, President and Director. Petroleum business. 1965-1968, exploratory supervisor and appraiser with domestic and foreign subsidiaries of Standard Oil Company (Indiana). 1968-1970, President and Director, Pan Ocean Oil Corporation. Frederick W. Popp, Vice President. Petroleum business. 1965-1969, President of Amoco Norway Oil Co., wholly-owned subsidiary of Standard Oil Company (Indiana). 1969-1970, Vice President Pan Ocean Oil Corporation. Stanley R. Rawn, Jr., Chairman of the Board and Director. Petroleum business. 1965-1970, Vice President, Pioneer Lands Corporation, New York. 1966-1970, President, Pentagon Petroleum, Inc., New York. 1968-1969, Vice President, Secretary and Treasury, Pan Ocean Oil Corporation. 1969-1970, Chairman of the Board, Pan Ocean Oil Corporation. Samuel P. Reed, Director. Minerals business. 1965 to date, Vice President, Engelhard Minerals and Chemicals Corporation. 1970, Vice President and Director, Engelhard Hanovia, Inc.; Director, American-South African Investment Company Ltd. Thomas P. Sullivan, Controller. Accounting. 1965-1967, Main Lafrentz & Co., New York. 1967-1970, Arthur Andersen & Co., New York. Joined Pan Ocean in 1970. Gerald P. Taber, Vice President, Secretary, Treasurer. Investment business. 1965-1968, Corporate Planning Director, American Express Company, New York. 1967-1968, Senior Management Consultant, American Express Company. 1968 to date, Pioneer Lands Corporation, New York. 1969 to date, Vice President, Secretary, Treasurer of Pan Ocean Oil Corporation. Victor E. Trudel, Vice President. Petroleum business. 1965-1966, Land Manager, Frontier Oil and Gas Ltd., Calgary. 1966-1968, land consultant under name Trudel Minerals Ltd., Calgary. 1968 to date, President of Pan Ocean Oil (Canada) Ltd. 1969 to date, Vice President, Pan Ocean Oil Corporation.

40. The dates of and parties to and the general nature of every material contract entered into by the Company which is still in effect and is not disclosed in the foregoing.	Lease of office space located at 645 Madison Avenue, New York, N.Y., dated November 25, 1969, between The 645-651 Madison Avenue Corporation, Landlord, and Pan Ocean Oil Corporation, Tenant, for four floors at a total annual rental of \$US371,575.
41. Any other materials facts not disclosed in the foregoing.	The Company is in the final stages of negotiation with The Chinese Petroleum Corporation for exploration rights on 400,000 acres offshore Taiwan.

42. STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL
as of October 15, 1970

FREE STOCK	Shares
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).	400,000
(b) Distributed and in the hands of the promoters, officers and directors of the Company and their agents or trustees.	—
Total free stock	400,000
ESCROWED OR POOLED STOCK	
(c) Held in escrow or pool as set out in Item 19 of this application.	4,142,116
Total issued capital	4,542,116

RECORD OF SHAREHOLDERS	
Number of registered shareholders holding shares in class (a) above	219
Number of registered shareholders holding shares in class (b) above	Nil
Number of registered shareholders holding shares in class (c) above	66

43. STATEMENT SHOWING NUMBER OF SHAREHOLDERS
as of October 15, 1970

Number		Shares
42	 Holders of 1 — 99 shares	1,526
125	 " " 100 — 499 "	21,199
24	 " " 500 — 999 "	14,101
19	 " " 1000 — 1999 "	22,563
8	 " " 2000 — 2999 "	18,378
7	 " " 3000 — 3999 "	22,090
2	 " " 4000 — 4999 "	8,000
58	 " " 5000 — up "	4,434,259
285	Stockholders	Total Shares 4,542,116

Dated at New York, the 23rd day of October, 1970.

PAN OCEAN OIL CORPORATION

“STANLEY R. RAWN, JR.”,
Chairman of the Board and Director

“PETER A. BANKER”,
Vice President and Director



SCHEDULE OF PAN OCEAN OIL CORPORATION

UNDEVELOPED PROPERTIES—OCTOBER 1, 1970

General Location	Type of Holding	Pan Ocean Oil	Acreage	
		Interest	Gross	Net
ABU DHABI	Concession Agreement	60%	778,000	466,000
AUSTRALIA (WESTERN)	Mineral Claim and Temporary Reserve	14.9	1,296,000	193,104
CANADA				
Arctic Islands				
Lancaster Sound	Exploratory Permit	33.33	995,528	331,843
Prince of Wales Strait	Exploratory Permit	25	819,884	204,971
Cameron Island East	Exploratory Permit	12.5	59,570	7,446
Sabine Peninsula West	Exploratory Permit	25	60,749	15,187
Melville Island South	Exploratory Permit	25	702,994	175,749
Eglinton Island East	Exploratory Permit	25	509,679	127,420
Prince Patrick Island South	Exploratory Permit	25	283,547	70,887
Prince Patrick Island West	Exploratory Permit	25	57,392	14,348
Ellef Ringnes West	Exploratory Permit	16.67	75,240	12,543
Ellef Ringnes North				
A3726-36	Exploratory Permit	16.67	515,905	86,001
A5936-55	Exploratory Permit	25	882,411	220,603
Amundsen Gulf	Exploratory Permit	25	423,154	105,788
Norwegian Bay	Exploratory Permit	12.5	476,740	59,593
Northwest Territories—Yukon				
5940-43	Exploratory Permit	37.5	138,642	51,991
5820-22 and 5824-26	Exploratory Permit	25	216,092	54,023
114 and 115	Mineral Pros. Permit	50	67,978	33,989
Arctic				
Foxe Basin	Exploratory Permit	25	493,356	123,339
Baffin Island East	Exploratory Permit	25	1,158,884	289,721
Beaufort Sea	Exploratory Permit	25	285,821	71,455
Hudson Bay				
6148, W3864-68	Exploratory Permit	45	342,972	154,337
W4561-66	Exploratory Permit	25	394,596	98,649
W4612-36	Exploratory Permit	16.67	1,604,870	267,532
East Coast Offshore				
Newfoundland West	Exploratory Permit	50	363,910	181,955
Newfoundland East	Exploratory Permit	25	1,603,867	400,967
Labrador Shelf	Exploratory Permit	25	394,298	98,575
Flemish Cap	Exploratory Permit	25	735,837	183,959
Alberta				
Fox Creek	Reservation	100	10,400	10,400
Parkgate	P & NG Lease	50	963	486
Remaining Alberta	P & NG Lease	Various	2,883	1,361
Saskatchewan				
Illerbrun	P & NG Lease	33.33	320	107
Remaining Saskatchewan	Permit	25	145,920	36,480
COLOMBIA (Offshore)	Petroleum Concession*	2.5	1,000,000	25,000
Onshore	Concession Agreement	25	467,914	116,979
EAST CHINA SEA	Lease Application**	70	10,000,000	7,000,000
ECUADOR (Offshore)*	Concession Agreement (Cope Concession)	66.3	725,000	478,500
GHANA (Offshore)	Oil Prospecting License	2.095	1,885,440	39,450
INDONESIA (Simeulue Island)	Production Sharing Contract	25	1,333,516	333,379
ITALY—ADRIATIC SEA	Exploration Permits			
All blocks except D/162		75	156,505	117,379
D/162		37.5	13,424	5,034
MALDIVE ISLANDS (Indian Ocean)	Petroleum Exploration and Exploitation License	22.5	25,600,000	5,760,000
NEW ZEALAND (On and Offshore)	Petroleum Prospecting	12.5	1,710,560	213,820

*Agreements have been executed and the transaction will be closed shortly.

**Priority Filing.

***The Government has agreed to the issuance of the license and it is expected to be issued shortly.

SCHEDULE OF PAN OCEAN OIL CORPORATION
UNDEVELOPED PROPERTIES—OCTOBER 1, 1970

<u>General Location</u>	<u>Type of Holding</u>	<u>Pan Ocean Oil Interest</u>	<u>Gross</u>	<u>Acreage</u>	<u>Net</u>
NIGERIA*					
	Oil Prospecting License No. 51	100%	232,659		232,659
	Oil Prospecting License No. 71***	100	248,320		248,320
	Oil Prospecting License No. 99***	100	456,505		456,505
NORTH SEA					
Dutch Sector					
Block Q-11	Prospecting License	24.7	40,000		9,887
Block Q-14***	Prospecting License	27.4	15,000		4,110
Norwegian Sector	Production Licenses				
Blocks 11/10 and 11/7		20	276,685		55,337
Block 25/4***		50	153,620		76,810
U.K. Sector	Production Licenses				
Blocks 16/3 and 16/7		40	110,250		44,100
SIERRA LEONE* (Offshore)	Mineral Oil Exploration License	50	2,560,000		1,280,000
SOUTH AFRICA (Onshore)	Prospecting Sub-lease	25.8	6,890,240		1,779,361
TURKEY (Onshore)	Exploration License	30.5	494,200		150,731
UNITED STATES					
Alaska					
Block 95-N. Slope	Leasehold	37.5	2,501		938
Bristol Bay Basin	Lease Application**	75	104,960		78,720
Copper River Basin	Lease Application**	100	31,942		31,942
Goodnews Bay	Prospecting Permit	100	13,949		13,949
Pastol Bay Area	Lease Application**	15	112,640		16,896
West Arctic Slope	Lease Application**	15	27,780		4,167
Yukon Basin	Lease Application**	15	58,880		8,832
Montana					
East Antelope	Leasehold	50	2,800		1,300
East Pine	Leasehold	50	6,510		3,255
Gilford (Tiger Ridge)	Leasehold	50	97,139		46,326
Malta (Phillips County)	Leasehold	100	75,000		62,500
Oxbow	Leasehold	25	5,164		914
Smoke Creek	Leasehold	50	7,603		3,197
South Goose Lake	Leasehold	50	1,122		561
North Dakota					
North Buffalo	Leasehold	50	3,120		1,560
Towner	Leasehold	50	115,000		57,500
Texas					
Crockett County-Ozona		100	16,000		16,000
Wyoming					
Lone Tree Creek	Leasehold	100	4,522		4,522

*Agreements have been executed and the transaction will be closed shortly.
**Priority Filing.
***The Government has agreed to the issuance of the license and it is expected to be issued shortly.

PRODUCING PROPERTIES IN CROCKETT COUNTY, TEXAS
AS OF OCTOBER 1, 1970

<u>Field</u>	<u>Gross Acres</u>	<u>Producing or Productive Completions</u>	<u>Interest Working</u>	<u>Interest Net</u>
Ozona Canyon Sand	15,680	48 gas wells	100%	83.44%

SCHEDULE OF PAN OCEAN OIL CORPORATION

PRODUCING PROPERTIES HELD THROUGH
POCANTICO OIL & GAS CORPORATION AS OF OCTOBER 1, 1970

State, County, Field, Lease or Well	Gross Acres	Producing Completions		Working Interest	Net Interest
		Oil	Gas		
LOUISIANA					
Cameron Parish—Grand Chenier, South Field					
Doland, D.Y. No. 1-D	334	1		.1055555	.0767917
Doland, D.Y. No. 1	169	1		.0288365	.0202277
Ehni and Darling No. 1	353	1		.1055555	.0767917
Ehni and Darling No. 2	Dup.	1		.1055555	.0767917
Iberville Parish—Addis, West Field					
Schwing, Jane	480	1		.500000	.397786
Schwing, S. P.	640	2		.500000	.397786
Wilbert, L. and S. No.1	160	1		.500000	.404178
Wilbert, L. and S No. 4	640	1		.500000	.404178
St. John The Baptist Parish—Bonnet Carre Field					
Operc. No. 2 Unit	915E	1		.035000	.0295312
Operc. No. 3-A Unit	Dup.	1		.035000	.0296471
Operc. No. 4 Unit	Dup.	7		.0377217	.0318308
Montz No. 10-1-D	Dup.		1	.035000	.0295312
Ory No. 1-T	Dup.		1	.035000	.0295312
Vermilion Parish—Theall Field					
C-6 Sd. Unit	1,410.2	2		.0411752	.0344166
SD-1 Sd. Unit	Dup.	2		.0308241	.0258083
SD-3 Sd. Unit	Dup.	2		.0481127	.0403333
NEW MEXICO					
Lea County—Kemintz Wolfcamp Field					
Kemnitz	4,320	15		.004323173	.00367006
TEXAS					
Brazoria County—Sweeney Field					
Hast	300	1		.500000	.401250
Sweeney G. U. No. 1	143.4	1		.500000	.361965
Colorado County—Columbus, West Field					
Reimers No. 1	200	1		.500000	.360000
Concho County—Speck Strawn Field					
Speck Ranch	3,576	0		.393750	.325048
Concho County—Speck Jennings Field					
Speck Ranch	Dup.	1		.393750	.325048
Hardin County—Jackson Doty Field					
Doty and Jackson	80	3		.500000	.406250
Doty and Jackson "A"	168.4	4		.500000	.390625
Doty and Jackson "B"	80	1		.500000	.406250
Doty and Jackson "C"	168.4	1		.500000	.390625
Foster-McGallion Un.	20	0		.500000	.437500
Jackson-Gordon Un.	22.3	1		.500000	.409834
McGaillion-Gordon Un.	20	1		.500000	.437500
Hardin County—Jimmy Owen Field					
Doty and Jackson "F"	350	3		.500000	.406250
Live Oak County—George West, West Field					
George West Est.	320		1	.500000	.4296875
Matagorda County—Trull Field					
Gresham "A" No. 1	199.2		1	.017500	.0114616
Trull No. 2-UT	750	1		.017500	.0128914
Trull No. 5-UT	Dup.		1	.017500	.0131250





3	Letter to Shareholders
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16	Board of Directors, Corporate Offices



dear shareholder:

This is our first annual report since becoming a public company last September. During this short period your company has grown dramatically, and we welcome the opportunity to review for you those corporate achievements which have contributed most significantly to this record of accomplishment. Developments which have been of particular significance include:

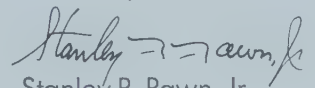
- five separate corporate acquisitions, valued at \$23 million, consummated or agreed to during the last six months in exchange for Pan Ocean stock;
- a more than threefold increase in our cash and other liquid assets, from a base of less than \$3 million raised in our common stock public offering to \$10 million today;
- the establishment of long-term domestic gas and oil reserves totaling 10 million barrels of oil or its equivalent in gas;
- a further broadening of our international exploration interests with the addition of such major reserve areas as Nigeria and Indonesia;
- the implementation of plans to establish a separate Pan Ocean drilling fund to assure a means of readily testing and developing both our present and future acreage;
- a further strengthening of our management and personnel, including the addition of four new directors to the Board.

We deeply appreciate your support during this important period in our corporate history. We look forward to sharing with you the growth and the opportunities for our company in the year ahead.



William W. Peabody
President

Cordially,



Stanley R. Rawn, Jr.
Chairman of the Board
Chief Executive Officer

May 31, 1970

production

During the past several months Pan Ocean has acquired oil and gas reserves through a series of corporate acquisitions and has established a basis for future cash flow from production.

The largest property purchased to date is located in Crockett County, Texas where the company is in the process of acquiring ownership of 47 recently-completed gas wells, a gathering system, a transmission line, and a gasoline plant with a capacity in excess of 25 million cubic feet of gas per day. The plant is scheduled to be completed and on-stream by mid-June, 1970.

Developed gas reserves in the Crockett County property are estimated to be 130 billion cubic feet, with a more-than-equal volume of undeveloped reserves projected. Gas is now being sold on a 20-year contract to a subsidiary of Coastal States Gas Producing Co. at 17¢ per mcf and the liquid products from the plant will be sold locally. The project is calculated to generate an initial annual cash flow rate in excess of \$1.5 million.

Upon transfer of the final interests in June, the company will have issued approximately 454,000 shares of stock and will assume approximately \$1.9 million in bank debt.

Through other corporate acquisitions the company will have accumulated additional reserves of oil and gas located principally in Louisiana, Texas, Oklahoma, Mississippi and New Mexico. This production is expected to generate additional cash flow in excess of \$700,000 per year.

Gas well flare — Crockett County, Texas



Your company's land position has improved both in quantity and prospectiveness. The company presently has filings or permits on 64,809,371 gross acres and 20,141,565 net acres located in the United States and 14 foreign countries, an increase of 44% in net acreage since August, 1969. Most of these holdings are presently in various stages of exploration and evaluation.

The world map on pages 8-9 identifies the locations of the company's interests together with pending applications for concessions. Most of these are discussed in the following pages, commencing with the more significant company interests which have not as yet been evaluated or explored.

In **Alaska**, Pan Ocean holds a 37 1/2 % interest and is operator of a joint venture which was the successful bidder on Block 95 awarded in the widely publicized North Slope sale last September. The company will participate in a group seismic survey scheduled for this summer which will include Block 95. Atlantic Richfield has completed a Prudhoe Bay field development well eight miles west of Block 95; Mobil Oil Company is drilling a test well twelve miles to the southeast.

Nigeria is fast becoming one of the major oil producing countries of the world. Through the acquisition of Inter-ocean Oil Company, Pan Ocean will hold a 100% working interest in three onshore areas in Nigeria, designated OPL 51, 99 and 71, and covering an aggregate of 861,440 acres. The license for OPL 51 has been issued and the licenses for the other two blocks are expected shortly. OPL 51 and 99 are contiguous blocks, located on either side of the Niger River in the prospective delta area. Under the license covering OPL 51, the company is committed to drill a total of 20,000 feet within three years, or one well per year for each of the first three years. The company also participated in the industry bidding in March for offshore blocks, the results of which have not yet been announced.

The company has a 25% interest in a recently-awarded concession in **Indonesia** covering 415,000 gross acres. The acreage is situated on and around the island of Simulue, located off the western coast of Sumatra.

Pan Ocean has made a priority filing in the **East China Sea** on 10 million acres. The company has a 70% beneficial interest in the application. Seismic studies by the Woods Hole Oceanographic Institution, the U. S. Navy,

and private geophysical services all confirm the presence of thick sedimentary sections and many structural trapping conditions. As a prospective oil area, this sector of the East China Sea has been favorably compared to the Middle East.

The company's extensive interests in **Canada** total 14,446,010 gross acres and 3,643,995 net acres. This includes acreage in a majority of the areas of current exploration interest in the far north, including the Arctic Islands, the Mackenzie Delta, Foxe Basin, Hudson Bay and offshore Eastern Canada.

Pan Ocean has negotiated several agreements in the area with new partners, involving an assumption of work obligations and, in some cases, a cash bonus for a portion of the company's interest. Included are agreements with the French Petroleum Company of Canada Ltd. on Pan Ocean acreage in the Peary Channel in the Arctic; West-coast Production Company Ltd. on acreage near Ellesmere Island in the Arctic; and Mobil Oil Company covering two million acres in Hudson Bay.

In most areas where the company has interests, it is our policy to conduct our own exploration programs or to participate with our original partners, but in certain remote areas such as the Arctic, the company has elected to minimize its capital outlays through the use of such farmout agreements.

Panarctic Oils, Ltd., partially-owned by the Canadian government, plans to begin drilling a test well, Hecla J-60, this summer on Melville Island in the Arctic. Pan Ocean holds a 25% interest in two 30,000-acre tracts located three miles to the northwest and approximately four miles to the south of the announced drill site. The well will be drilled about 26 miles west of Panarctic's earlier Drake Point tests which had recoveries of hydrocarbons.

In the **Italian Adriatic Sea**, the company holds interests in 122,344 net acres through a 75% owned subsidiary, Oceanica Petroli Italiana. Recent discoveries by Westates Petroleum Company and by Shell-Agip in the vicinity of some of our acreage have been encouraging. A seismic program on our blocks is planned for late 1970.

Your company has also submitted a bid in the recent competition for a 778,000-acre block offshore from Abu Dhabi, one of the Trucial States along the **Arabian Gulf**. Though small in geographic area, this Trucial State is one of the most prolific oil producing countries in the Middle East. Pan Ocean has a 60% interest in the application and has been advised that the results of the bidding will be announced in June, 1970.

The company has an active exploratory program presently underway around the world, and expects to increase this capability substantially in the near future. The company is proceeding with plans to establish a separate drilling fund, which will greatly augment the in-house exploration funds necessary to test and develop company holdings.

Some of the highlights of the company's exploration and work programs are summarized in the succeeding paragraphs.

In the **Norwegian North Sea**, your company holds a 20% interest in Blocks 11/10 and 11/7, totalling 276,635 gross acres. The Ocean Viking drilled an exploratory well on this acreage in the summer of 1969, which was considered non-commercial and was abandoned. We have plans to drill another exploratory well on an additional feature of interest in the license area.

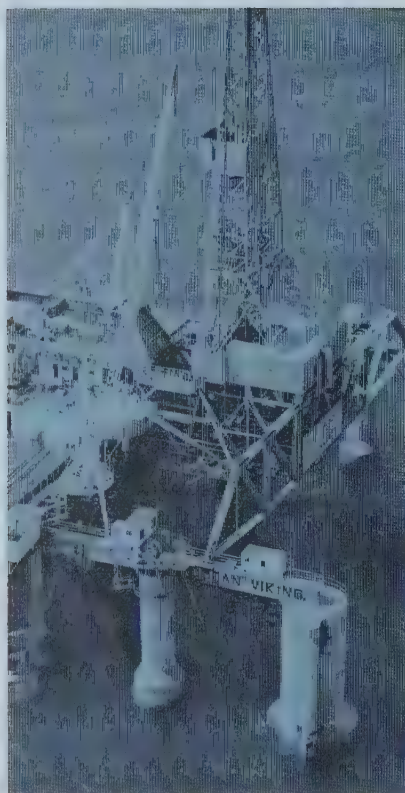
Pan Ocean has a 50% interest in a new exploration license presently being finalized with the Norwegian government which would add 153,620 gross acres to our holdings in the Norwegian North Sea.

In the **Dutch North Sea**, the company holds a 50% interest in a joint venture which was awarded a prospecting license on Block Q/11. The joint venture assigned a 51% working interest in the block to N. V. Nederlandse Aardolie Maatschappij ("NAM") which is owned jointly by the Royal Dutch/Shell group and Standard Oil Company (New Jersey). In return for this interest, NAM repaid our prior exploration costs and drilled at its own expense a 10,000 foot exploratory well on the block. This well encountered interesting gas shows but, after tests, was considered non-commercial and consequently abandoned. Studies are now being made to determine our future program for this block.

Also offshore, Pan Ocean Oil U. K. Ltd., as operator, is negotiating for two blocks in the **U. K. North Sea**. The two blocks are located in the central portion of the North Sea tertiary basin, which has become more prospective as a result of recently-announced oil discoveries in the basin. Pan Ocean has a 40% interest in the application.

In **Colombia** the company is presently completing its first discovery well in the Magdalena Valley area and has recently spudded a second exploratory well in another concession area in the Magdalena Valley. The discovery well, located six miles from a pipeline terminal, is undergoing further testing and evaluation.

The discovery well was the first well to be drilled in a joint exploration program with Empresa Colombiana de Petroleos, a Colombian government-owned corporation.



"Ocean Viking" — Drilling, Norwegian North Sea



Pan Ocean holds a 25% interest in the venture, which has the right to explore 467,917 gross acres onshore. The company must meet 50% of the exploration costs up to completion of the first discovery well, and the government has a 17% royalty interest.

With the acquisition of Interocean Oil Company, Pan Ocean will hold a 2½% interest in approximately one million acres located offshore Colombia in the Caribbean Sea adjacent to the Guajira Peninsula. Seismic work has been encouraging and it is anticipated that an exploratory well will be commenced early in 1971.

Through an affiliate, Tur-Kan Petrol Ltd., the company has a 30.5% interest in licenses on 494,200 gross acres in **Turkey**. Geological and geophysical exploration is presently being carried out on the acreage and Tur-Kan intends to spud its first well in the license area this year.

A gravimetric study has been conducted on the company's acreage in the **Maldives Islands**, which is a recently established republic located in the Indian Ocean. An interpretation of these data suggests the presence of as much as 10,000 feet of sedimentary section. The results are being studied to determine the nature of a more intensive exploratory program. The company has a 22.5% interest in an exploration license covering 25,600,000 acres located on and offshore.

In **New Zealand**, where the company has a 12.5% interest in 1,710,560 gross acres located on and offshore in the Taranaki Basin area, a drilling program is now underway. Four test wells have been abandoned so far after encountering non-commercial indications of gas at approximately 3,000 feet. Further shallow drilling is planned later this year. Three significant gas condensate wells were recently completed by Shell/BP/Todd in the offshore portion of the Taranaki Basin approximately 75 miles from the company's acreage.

The company owns a 26% interest in approximately 7,000,000 acres in the Port Elizabeth area of **South Africa**. Southern Oil Exploration Corporation (Pty.) Ltd., a government affiliated company, has been carrying out an exploratory drilling program on the concession area under a farmout agreement.

The South African Geological Survey, a government agency, has also been drilling within the concession area and has recently recovered small amounts of free oil at 7,300 feet on a drillstem test in their Colchester Well. This is significant because it is the first free oil recovery onshore in South Africa. Superior Oil is continuing its offshore drilling following last year's initial gas condensate discov-



Onshore Sedimentary Basins

Offshore Sedimentary Basins

pan ocean global interests



Exploratory Holdings

Pending Applications



ery on their offshore block near Port Elizabeth.

Following evaluation of a grid seismic program on Block C(b) offshore South Africa and Blocks 8A and 8B offshore Southwest Africa, Pan Ocean and its partners relinquished those blocks.

After an extensive seismic program Pan Ocean and its partners elected not to exercise their option to acquire Block IV offshore **Liberia**.

In **Ghana** the company holds indirectly a 2% interest in a license covering a total of approximately 1,885,440 acres in two blocks onshore and offshore. An offshore seismic program was completed and an agreement was entered into with Hamilton Brothers Oil Company which provides for the drilling of two wells. The first offshore well began drilling this month.

The company has a half interest in 140,284 gross acres in **Montana** and **North Dakota**. One of the company's plays consists of an approximate 80,000 acre spread immediately west of the Tiger Ridge Montana gas field on which we anticipate at least eight exploratory wells will be drilled this summer. These tests will be drilled at no cost to the company which will still retain an undivided 12½-25% interest in the area.

A seismic program will be started soon on the Towner North Dakota prospect, following encouraging results from a recent gravity survey.

the Rockefeller family, has working interests in domestic producing properties in several states in addition to a mineral exploration program in Australia, and certain capital investments.

Vaneil Properties Inc. holds working interests in producing properties and leasehold interests located principally in Texas, Oklahoma, Louisiana and Mississippi.

Interocean Oil Company, Inc. owns or expects to own shortly full working interests in three concessions in Nigeria, plus an offshore interest in Colombia. It also has a 1½ % carried interest in two experimental steam recovery projects encompassing a possible recoverable reserve of 30 million net barrels at Cold Lake, Alberta. Five steam injection wells and thirteen producing wells are currently involved in the pilot projects.

Ocean Platinum Company holds 14,000 acres of offshore permits geologically well positioned with respect to the only known major platinum source in the United States, located at Goodnews Bay, Alaska. Extensive offshore mineral exploration is planned by others in the Goodnews Bay area during 1970. From an air pollution standpoint, platinum is a necessary element in the production of lead-free gasolines and, for this and other reasons, is expected to experience increasing demand.

corporate acquisitions

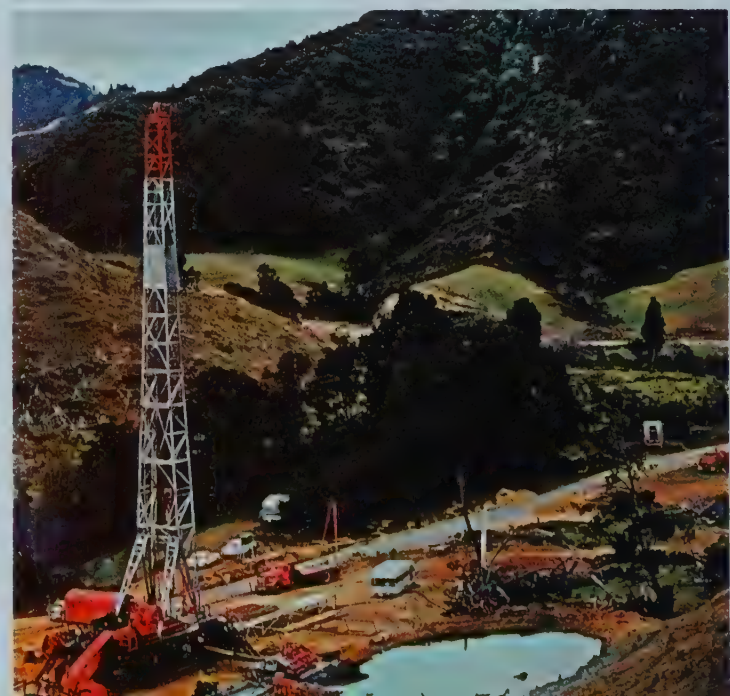
In addition to the acquisition of gas wells, pipelines and processing facilities in Crockett County, Texas described earlier, the company during the past four months has acquired or reached agreements to acquire all of the outstanding shares of the following four corporations:

- Pocantico Oil and Gas Corporation
- Vaneil Properties, Inc.
- Interocean Oil Company, Inc.
- Ocean Platinum Company

Each acquisition involves an exchange of shares for Pan Ocean stock. The aggregate agreed value of the four transactions is \$12 million.

Pocantico Oil and Gas Corporation, purchased from

Test well — New Zealand



financial position

Pan Ocean's financial position is very strong. At the end of December, a \$2,750,000 private placement resulted in the issuance of 103,615 shares of unregistered common stock. The company's cash and marketable securities have grown since year-end to a present total of \$10 million; current liabilities presently stand at approximately \$750,000. Upon consummation of the Pocantico Oil and Gas Corporation acquisition and the final transfer to the company of the Crockett County, Texas properties, the company will have assumed approximately \$3,800,000 of long-term debt.

management & offices

The rapid growth which has marked these past months of Pan Ocean's progress has been paralleled by a strengthening of management and staff.

Of particular significance, the board has been expanded by the appointment of four new directors. The new directors are Yasuhiro Goh, Peter A. Banker, Neil A. McConnell, and Donald B. Lamont.

Mr. Goh, a resident of Tokyo, is a founder and director of Bridgestone Liquefied Petroleum Gas Company of Japan, which pioneered the development of liquified petroleum gas in Japan and owns the world's largest LPG tanker fleet. Mr. Banker, a vice president of Pan Ocean, was previously an attorney for Standard Oil Company (New Jersey), with responsibilities in international operations. Mr. McConnell, a partner in the investment firm of McConnell, Melhado, previously served as president of Vaneil Properties Inc. prior to its merger with Pan Ocean. Mr. Lamont, who has become a full-time working director, is president of Interocean Oil Company, Inc. and was, for many years, an officer and director of several oil and gas exploration companies operating principally abroad.

In addition to the new directorships, the company has made several key appointments, including a corporate controller and several highly qualified geologists. Also named was Hunter L. Sharp as president of Pan Ocean Oil Corporation (Texas). Mr. Sharp will manage the gas production and processing facilities in Crockett County.

These appointments complement a recent expansion of your company's facilities. New York headquarters will be relocated at year-end to a new 22-story building presently under construction. The building, located on the southeast corner of Madison Avenue and 60th Street, will be named the Pan Ocean Building.

The Denver office has recently moved into expanded facilities. Since August of 1969, Pan Ocean has opened new offices in Lagos, Nigeria and Midland, Texas.

Pan Ocean Oil Corporation and Subsidiaries

consolidated balance sheet

December 31, 1969

Assets

Current assets:

Cash	\$ 3,105,522
Marketable securities, at cost which approximates market	1,800,000
Accounts receivable and other assets	<u>155,829</u>
Total current assets	5,061,351

Properties and equipment, at cost:

Developed natural gas properties and related equipment (Note 2)	5,258,345
Undeveloped leaseholds and mineral rights (Note 3)	<u>3,025,889</u>
	8,284,234

Deferred preoperating expenses and income (Note 4) 556,934

Loan to officer (Note 5) 160,000

Other assets 17,023
\$14,079,542

Liabilities and shareholders' equity

Current liabilities:

Note payable to bank	\$ 150,000
Accounts payable and accrued liabilities	411,319
Estimated foreign income taxes payable	<u>36,364</u>
Total current liabilities	597,683

Minority interest 40,000

Shareholders' equity:

Common stock \$.01 par value—authorized 10,000,000 shares; issued and outstanding 3,812,604 shares	38,126
Capital in excess of par value	<u>13,403,733</u>
	13,441,859

Commitments and contingent liabilities (Note 6) \$14,079,542

The accompanying notes are an integral part of these statements

statement of common stock and capital in excess of par value

for the Period from September 4, 1968 to December 31, 1969 (Note 1)

	Common Stock	Capital in excess of par value
Exchange of 875,001 shares of common stock for undeveloped leaseholds and mineral rights (Note 3)	\$ 8,750	\$ 1,741,252
Proceeds from various sales of 2,091,115 shares of common stock for cash	20,911	3,529,065
Proceeds from public offering of 400,000 shares of common stock, less \$410,319 expense of issue	4,000	2,785,681
Proceeds from sales of 240,000 shares of common stock under stock option plan and stock purchase agreement (Note 5)	2,400	187,600
Exchange of 206,488 shares of common stock for developed natural gas properties (Note 2)	2,065	5,160,135
	<u>\$38,126</u>	<u>\$13,403,733</u>

The accompanying notes are an integral part of these statements

Note 1 — Organization and Reporting: The Company was incorporated in the State of Delaware on September 4, 1968 under the name of Oceania Oil Corporation, which name was subsequently changed to Pan Ocean Oil Corporation. Its activities to December 31, 1969 have involved principally the acquisition of developed natural gas properties in Texas and undeveloped leasehold and mineral rights in North America and twelve foreign countries.

Pioneer Properties Co. (a partnership), Pentagon Petroleum, Inc., and certain related individuals own more than 50% of the outstanding common stock of Pan Ocean Oil Corporation.

The consolidated balance sheet includes the accounts of the Company and its majority owned subsidiaries.

Note 2 — Developed Natural Gas Properties: The Company entered into various agreements on December 29, 1969 to acquire certain natural gas wells and related facilities in Crockett County, Texas, in exchange for approximately 454,280 shares of common stock. The net assets to be received in exchange will be recorded at a total amount of approximately \$11,357,000. Such amount is supported by preliminary estimates made by an independent appraisal engineer of future cash flow discounted at 8%.

Certain of the wells and properties were acquired on December 30, 1969 for 206,488 shares of common stock and have been included in the accompanying balance sheet at an amount of \$5,162,000. In March, 1970 additional wells and properties were acquired for 148,567 shares of common stock. The remaining wells and properties will be acquired in June, 1970.

Pentagon Petroleum, Inc. and, indirectly, another shareholder of the Company held significant interests in the Texas properties prior to the above exchange.

Note 3 — Undeveloped Leaseholds and Mineral Rights: A portion of the Company's interests in undeveloped leaseholds and mineral rights involved the assignment of interests from Pentagon Petroleum, Inc. for 500,001 shares of common stock and acquisition of all the outstanding stock of Saratoga Minerals Ltd. for 375,000 shares of common stock. Saratoga was a nonaffiliated company whose only asset consisted of interests in undeveloped leases and concessions in the Norwegian North Sea, Dutch North Sea, South Africa and South West Africa. The Pentagon assignment comprised an interest in the Maldive Islands (Indian Ocean) and interests in the same leases and concessions held by Saratoga. The Pentagon and Saratoga interests have been recorded at \$1,000,002 and \$750,000, respectively. In the opinion of the Board of Directors, such amounts represent the fair value of the acquired properties.

In accordance with accounting principles utilized by the Company, all costs of acquisition, exploration and development have been capitalized as undeveloped leaseholds and mineral rights. With respect to title to foreign undeveloped leaseholds and mineral rights, the Company has relied on the representations of the various governments which have granted such interests and on the terms contained in the documents which have been delivered to it evidencing such interests.

While undeveloped leaseholds and mineral rights are in properties which are substantially unexplored, management believes the investment therein of \$3,025,889 will be recovered through either sale or future exploration and development of such properties.

Note 4 — Deferred Preoperating Expenses and Income: The Company has been in the development stage of operations and has

elected to defer all preoperating income and expenses from September 4, 1968 to December 31, 1969 as follows:

Income:	
Net proceeds from sales of undeveloped oil and gas interests	\$170,458
Miscellaneous income	81,542
	<u>252,000</u>
Expenses:	
Provision for loss on certain interests in undeveloped leaseholds and mineral rights to be abandoned in 1970	504,413
General and administrative expense	304,521
	<u>808,934</u>
Net deferred preoperating expenses and income	<u>\$556,934</u>

The above deferred preoperating expenses and income will be included in the statement of income for the year 1970.

Note 5 — Common Stock and Stock Option Plan: On August 22, 1969, pursuant to a Stock Purchase Agreement dated as of May 31, 1969 between the Company and an officer, the Company issued 60,000 shares of common stock for \$160,000 in cash. In connection with this transaction, the Company on August 25, 1969 loaned such officer \$160,000 with interest at 7% per annum, to be repaid in equal installments on June 1, 1971, 1972 and 1973. The Agreement provides that such shares are subject to certain restrictions which, if violated, may result in forfeiture of the shares. Such restrictions lapse with respect to 30,000 shares on May 31, 1971, with respect to an additional 15,000 shares on May 31, 1972 and on the remainder of the shares on May 31, 1973. In the event any of the shares are forfeited, the Company is obligated to repurchase such shares for the purchase price thereof (\$2.67 per share).

Under a qualified stock option plan ratified by the shareholders on March 5, 1969, an option was granted to an officer in December, 1968 to purchase up to 180,000 shares of common stock at a price of \$.16⅔ per share. This option was exercised one year from the date of grant. Additional options were granted under the plan in August, 1969 to other officers and employees aggregating 79,500 shares at a price of \$8.00 per share. These options expire on August 27, 1974. The options become exercisable one year after the date of grant. A total of 300,000 shares are reserved for stock options under the plan.

Note 6 — Commitments and Contingent Liabilities: The agreements, leases and permits through which the Company holds direct and indirect interests in undeveloped leaseholds and mineral rights involve various obligations in the form of exploratory work programs and drilling of wells in order to retain the rights to the acreage. At December 31, 1969, the Company had commitments for the years 1970, 1971 and 1972 of approximately \$649,000, \$874,000 and \$799,000, respectively.

The Company has entered into a ten year commitment for office space at a yearly rental cost of approximately \$400,000. It is anticipated that through subleasing the actual expenditure will be materially less than the commitment.

On January 7, 1970, the Company guaranteed a \$500,000 bank loan of Alpine Oil Company, Inc., a non-affiliated company (see Note 7).

Note 7 — Acquisitions: On February 9, 1970 the Company acquired all the outstanding stock of Vaneil Properties, Inc. for 326,531 shares

of common stock. Vaneil Properties, Inc. was owned principally by one of the founders of the Company. Vaneil Properties, Inc., at date of acquisition, had assets consisting mainly of domestic producing petroleum and natural gas properties, and marketable securities. During the period from February 9, 1970 to April 30, 1970 the marketable securities were sold for cash of \$4,786,000. The net assets of Vaneil Properties, Inc. at date of acquisition had a preliminary estimated fair market value of \$5.6 million, after making provision for an estimated \$1.5 million capital gains tax to be incurred relating to the sale of the marketable securities.

The Company will treat this acquisition as a purchase transaction for accounting purposes and hence the assets and liabilities of Vaneil Properties, Inc. will be recorded in 1970 at their estimated fair values. The Company has agreed that if an independent appraisal of the producing petroleum and natural gas properties, which appraisal may be submitted to the Company no later than September 15, 1970, results in a valuation in excess of \$2,448,500, the Company will issue

up to 300,000 additional shares of its common stock valued at \$24.50 equal to such excess.

On April 24, 1970, the Company entered into an agreement to acquire all of the outstanding shares of Interocean Oil Company, Inc. Subject to the Company's satisfaction regarding certain title matters, the Company will issue 150,000 shares of its common stock in the exchange.

The Company plans to acquire all of the outstanding shares of Pocantico Oil and Gas Corporation for 140,000 shares of common stock. The acquisition has been approved by the boards of both companies.

It is anticipated that an agreement will be executed shortly to acquire all of the outstanding shares of Alpine Oil Company Inc., in exchange for shares of the Company's common stock.

The Company has agreed to acquire all of the outstanding shares of Ocean Platinum Company for approximately 13,500 shares of its common stock.

opinion of independent accountants

To the Shareholders and the
Board of Directors of
Pan Ocean Oil Corporation

We have examined the consolidated balance sheet of Pan Ocean Oil Corporation as of December 31, 1969 and the related statement of common stock and capital in excess of par value for the period from incorporation on September 4, 1968 to December 31, 1969. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 4 to the consolidated financial statements, the Company has been in the development stage of operations and has elected to defer all preoperating income and expenses from September 4, 1968 to December 31, 1969. Its interests in undeveloped leaseholds and mineral rights are in properties which are substantially unexplored.

In our opinion, the accompanying consolidated balance sheet and related statement of common stock and capital in excess of par value present fairly the financial position of Pan Ocean Oil Corporation and consolidated subsidiary companies at December 31, 1969, in conformity with generally accepted accounting principles.

60 Broad Street
New York, New York 10004
May 25, 1970

Price Waterhouse & Co.

Board of Directors

Peter A. Banker, *Vice President*

John M. Emery

Partner, Breed, Abbott & Morgan, New York

*Yasuhiro Goh

Director, Bridgestone Liquefied Petroleum Gas Company, Tokyo

Donald B. Lamont

President, Interocean Oil Company, Inc., New York

Dan W. Lufkin

Chairman of the Board, Donaldson, Lufkin & Jenrette, Inc., New York

*Louis Marx, Jr., *Chairman of the Executive Committee*

Neil A. McConnell

Partner, McConnell, Melhado, New York

*William W. Peabody, *President*

*Stanley R. Rawn, Jr., *Chairman of the Board*

Samuel P. Reed

Vice President, Engelhard Minerals & Chemicals Corporation,
New Jersey

**Members of the Executive Committee*

Corporate Offices

110 East 59th Street

New York, New York 10022

515 Majestic Building

Denver, Colorado 80202

Operations Offices

Pan Ocean Oil Corporation (Texas)

200 Wilkinson-Foster Building

Midland, Texas 79701

Pan Ocean Oil (Canada) Ltd.

970 No. 3 Calgary Place

Calgary 1, Alberta, Canada

Pan Ocean Oil U. K. Ltd.

9 Upper Grosvenor Street

London W. 1, England

Oceanica Petroli Italiana, S. p. A.

Via Lungotevere Mellini 44

00193 Rome, Italy

H.M. Pan Ocean-Syracuse Oil South Africa (Pty.) Limited

Metal Industries House

84 Marshall Street

Johannesburg, South Africa

Pan Ocean Oil (Nigeria) Ltd.

Western House

8/10 Yakubu Gowon Street

Lagos, Nigeria

Transfer Agent and Registrar

Bankers Trust Company

New York, New York

Legal Counsel

Breed, Abbott & Morgan

New York, New York

Independent Accountants

Price Waterhouse & Co.

New York, New York

Members of the Board

Left Column: Stanley R. Rawn, Jr., Donald B. Lamont, Samuel P. Reed;

Middle Column: Peter A. Banker, William W. Peabody, Louis Marx, Jr.;

Right Column: Dan W. Lufkin, Yasuhiro Goh, John M. Emery, Neil A. McConnell.





SCHEDULE OF PAN OCEAN OIL CORPORATION

PRODUCING PROPERTIES HELD THROUGH
VANEIL PROPERTIES, INC. AS OF OCTOBER 1, 1970

State, County, Field, Lease or Well	Gross Acres	Producing Completions		Working Interest	Net Interest
		Oil	Gas		
OKLAHOMA					
Cleveland County					
Garrett Lease	160		1	.05000	.04000
Miller Lease	160		1	.05000	.0375
Stubbeman Lease	80	1		.05000	.0375
Garvin County					
Mantooth Leases	160		3	.039062	.024000
NW Brady	1,272.5	1		.25000	.218750
McCain County					
Ainsworth lease	160		1	.047851	.0416615
MISSISSIPPI					
Franklin County					
Dry Creek Field	40	2		.0625	.046875
Dry Creek Field	80	2		.058938	.044496
Dry Creek Field	160	9		.0625	.047226
Dry Creek Field	40	4		.03125	.025782
Clear Springs Field	80	2		.1054687	.0827960
Clear Springs Field	560	12		.140625	.1054678
Adams County					
Levees Creek Field	40	1		.3125	.1875
LOUISIANA					
Cocordia Parish					
North Bougere Field	635	12		.21875	.084376
Bougere Field	298	6		.0703125	.052734
LaSalle Parish					
Siesta Allen A-1 Well	80	1		.125000	.0140625
Tensas Delta Well	40	1		.0546875	.0061524
Jefferson Davis Parish					
Hayes Field	800		1	.79167	.58425
TEXAS					
Crane and Upton Counties					
King Ranch Lease		1		.0234375	.01757524
Sanger A Lease	325	1		.0234375	.01758026
Crane and Ward Counties					
Tubb Estate Lease	320		1	.18122991	.153953
Harrison County					
Fogle Leases	80	1		.1875000	.021197
Furrh Leases	80	4		1.00	.114858
Hayes Lease	297	1		.1875000	.0200475
Hollie Lease	101	1		.1875000	.021269
Kyle Lease	89	1		.1875000	.024225
Lane Lease	97	1		.1875000	.0242285
Newton	80	1		.1875000	.0247500
Jefferson County					
Port Acres Field			1	.124208	.01863025
Upton County					
North Wilshire Field	400		3	.0625	.050781
Wharton County					
Magnet-Withers Field	24.2	1		.67776	.5052617
ARKANSAS					
Pope County					
Minnie Turner No. 1 Well	160	1		.142232	.01594240
OTHER HOLDINGS					
Partnership					
Newton County, Texas					
Bon Wier Field	90	1		.21965	.158148
Bon Wier Field	80	1		.21965	.1482637
Bon Wier Field	80	1		.4393	.1482637
Bon Wier Field	256	2		.4393	.158148

SCHEDULE OF PAN OCEAN OIL CORPORATION
ROYALTY AND OVERRIDING ROYALTY INTERESTS—OCTOBER 1, 1970

<u>General Location</u>	<u>Gross Acres</u>	<u>Royalty or Overriding Royalty Interest</u>
CANADA		
Arctic Islands		
Prince Patrick Island South	156,263	1%
A2513-14 and A2552		
Viscount Melville Sound and Sverdrup Basin	9,867,962	.25
Northwest Territories		
Yukon	72,174	1.5
5823 and 26		
UNITED STATES		
Texas		
Goliad County		
Sunset No. 1 Wilson Lease	376	.234
Lavaca County		
Hope Field		
Ewers No. 1	519	1.38
Jacobs No. 1	160	.46
Rose No. 1	322	1.21
Van Zandt County		
Edgewood, Northeast Field		
Lay No. 1	365	.07
Parker “B” No. 1	390	.10
Parker “C” No. 1	499	.26

SCHEDULE OF PAN OCEAN OIL CORPORATION

SCHEDULE OF ROYALTIES PAYABLE WITH RESPECT TO UNDEVELOPED PROPERTIES AS OF OCTOBER 1, 1970

<u>Holding</u>	<u>Royalty Payable</u>
ABU DHABI	12½ % up to 50,000 bbls. per day, 14% up to 100,000 bbls. per day, 15% up to 150,000 bbls. per day, 16% thereafter, to Ruler. 12½ % on gas.
CANADA	
Arctic Islands and East Coast (Offshore)	5% of production during first 3 years and 10% thereafter, to government.
Northwest Territories—Yukon and Hudson Bay	5% after 36 months of production or 5 years (whichever occurs first) and 10% thereafter, to government.
Alberta	8%-16⅔ % , to government.
COLOMBIA	
Onshore	17% to government.
Offshore	14½ % to government.
ECUADOR	10% to government.
GHANA	12½ % to government.
ITALY—ADRIATIC	8% on oil and 5% on gas, to government, 2½ % ORR to C.L.E.I.M. Seagull S.p.A, .625% OR to Stuart McCall, .625% ORR to Syracuse Oils Limited.
MALDIVE ISLANDS	Royalties to government: 12½ % to August 31, 1976, 15% to August 31, 1977, thereafter, 15% up to 50,000 bbls per day, 17½ % up to 150,000 bbls. per day, 20% up to 300,000 bbls per. day, 22½ % up to 450,000 bbls. per day, 25% when production exceeds 450,000 bbls. per day.
NEW ZEALAND	5% to government.
NIGERIA	12½ % on oil and 10% on gas, to governments. ORR of 3.75% each to two individuals, reducing to 1.875% after 15,000 bbls. per day.
NORTH SEA	
Dutch Section	2% ORR to individuals.
Norwegian Section	10% to government.
U.K. Section	12½ % to government.
SIERRA LEONE	12½ % on oil and 5% on gas to government.
TURKEY	12½ % to government.
UNITED STATES	
Alaska	12½ % to government.
Montana	12½ %-25% to government. 5% ORR to Kenneth Kirkland on Malta prospect. 5% to Remuda Oil Corp. on East Antelope prospect. 3% ORR to Robert Pitchert on East Pine Prospect. 2½ %-4% to Walter Worley and McCartney Realty on Gilford prospect. 2½ % ORR to Donald Epperson on Oxbow prospect. 2½ % ORR to Donald Epperson on Smoke Creek prospect. 5% ORR to Remuda Oil Corp. on South Goose prospect.
North Dakota	12½ % to government. 6¼ % ORR to Yellowstone Petroleum Corp. on North Buffalo prospect. 3½ % ORR to Remuda Oil Corp. on Towner prospect.
Wyoming	12½ % to Government. 5% ORR to Don Carpenter et al and 1% ORR to Edward Watlington on Lone Tree Creek prospect.

FINANCIAL STATEMENTS

PAN OCEAN OIL CORPORATION

CONSOLIDATED BALANCE SHEET

AUGUST 31, 1970

ASSETS

CURRENT ASSETS:

Cash	.....	\$ 1,488,512
Time deposits	.....	12,650,000
Marketable securities, at cost (quoted market value \$1,384,000)	.....	1,139,475
Accounts receivable	.....	733,358
Total current assets (Note 10)	.....	16,011,345
Investments, at cost (Note 4)	.....	2,322,947
Properties and equipment, at cost (Notes 5, 6 and 7)		
Developed oil and gas properties	.....	12,335,614
Less—accumulated depletion, depreciation and amortization	.....	166,994
		12,168,620
Undeveloped leaseholds, mineral rights and mining claims	.....	7,234,894
Loan to officer (Note 8)	.....	171,760
Other assets	.....	168,855
Total assets	.....	\$38,078,421

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable to bank	.....	\$ 400,000
Accounts payable	.....	867,676
Accrued liabilities	.....	199,586
Income taxes payable (Note 3)	.....	1,220,874
Long-term debt due within one year (Note 7)	.....	500,000
Total current liabilities	.....	3,188,136
Long-Term debt (Note 7)	.....	13,528,557
Minority interest	.....	40,090
Shareholders' equity (Notes 7, 8, 9 and 11):		
Common stock \$.01 par value—authorized		
10,000,000 shares; issued and outstanding		
4,542,116 shares	.....	45,421
Capital in excess of par value	.....	22,654,623
Deficit	.....	(1,378,406)
		21,321,638
Commitments and contingent liabilities (Note 9)		
Total liabilities and shareholders' equity	.....	\$38,078,421

Approved on behalf of the Board:

“STANLEY R. RAWN, JR.”, Director.

“PETER A. BANKER”, Director.

AUDITORS' REPORT

*To the Board of Directors of
Pan Ocean Oil Corporation*

In our opinion, the accompanying consolidated balance sheet, the related consolidated statement of loss and deficit and the statement of common stock and capital in excess of par value present fairly the financial position of Pan Ocean Oil Corporation and its consolidated subsidiaries at August 31, 1970, and the results of their operations for the eight months then ended, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N.Y.
October 23, 1970

Price Waterhouse & Co.

PAN OCEAN OIL CORPORATION
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
For the Eight Months Ended August 31, 1970

REVENUES:

Sales and other operating revenue	....	....	....	....	....	....	....	....	\$ 488,828
Interest income	....	....	....	....	....	....	....	....	306,188
Gain on sale of securities	....	....	....	....	....	....	....	....	82,486
Other income	....	....	....	....	....	....	....	....	32,106
									<u>\$ 909,608</u>

COSTS AND EXPENSES:

Lease operating expenses	....	....	....	....	....	....	....	....	\$ 260,460
Depletion, depreciation and amortization	....	....	....	....	....	....	....	....	166,994
Abandonments of interests in undeveloped leaseholds and mineral rights	....	....	....	....	....	....	....	....	916,503
Pre-operating expense (expenses of \$304,521 less income of \$252,000) (Note 1)	....	....	....	....	....	....	....	....	52,521
Interest expense	....	....	....	....	....	....	....	....	206,512
General and administrative expenses	....	....	....	....	....	....	....	....	685,024
									<u>\$2,288,014</u>

Net loss for the period and deficit at August 31, 1970 (\$1,378,406)

Net loss per common shares (based on weighted average shares outstanding of 4,220,961) (\$.33)

STATEMENT OF COMMON STOCK AND CAPITAL IN EXCESS OF PAR VALUE
For the Period from September 4, 1968, to August 31, 1970

	Common Stock	Capital in excess of Par Value
<i>For the period September 4, 1968, to December 31, 1969:</i>		
Exchange of 875,001 shares of common stock for undeveloped leaseholds and mineral rights (Note 6)	\$ 8,750	\$ 1,741,252
Proceeds from various sales of 2,091,115 shares of common stock for cash	20,911	3,529,065
Proceeds from public offering of 400,000 shares of common stock, less 410,319 expense of issue	4,000	2,785,681
Proceeds from sales of 240,000 shares of common stock under stock option plan and stock purchase agreement (Note 8)	2,400	187,600
Exchange of 206,488 shares of common stock for developed natural gas properties (Note 5)	2,065	5,160,135
Balance at December 31, 1969	<u>\$38,126</u>	<u>\$13,403,733</u>
<i>For the period January 1, 1970, to August 31, 1970:</i>		
Issuance of 479,943 shares of common stock in connection with the acquisition of Vaneil Properties, Inc., Pocantico Oil and Gas Corp. and Ocean Platinum Company (Note 3)	4,799	6,544,436
Exchange of 247,878 shares of common stock for developed natural gas properties (Note 5)	2,479	2,685,321
Proceeds from various sales of 1,691 shares of common stock for cash	17	21,133
Balance at August 31, 1970	<u><u>\$45,421</u></u>	<u><u>\$22,654,623</u></u>

PAN OCEAN OIL CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Organization and Reporting:

The Company was incorporated in the State of Delaware on September 4, 1968, under the name of Oceania Oil Corporation, which name was subsequently changed to Pan Ocean Oil Corporation. Its activities to December 31, 1969, involved principally the acquisition of developed natural gas properties in Texas and undeveloped leasehold and mineral rights in North America and twelve foreign countries. For financial reporting purposes, operations were deemed to have commenced on January 1, 1970.

Pioneer Properties Co. (a partnership), Pioneer Lands Corporation, Pentagon Petroleum, Inc., and certain related individuals own approximately 50% of the outstanding common stock of Pan Ocean Oil Corporation.

NOTE 2—Principles of Consolidation and Accounting Policies:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries.

The Company follows the total cost method of accounting for its oil and gas interests. Under this method of accounting, all direct costs of acquisition, exploration and development are initially capitalized. Depreciation, depletion and amortization of the capital cost of producing properties are provided for generally on a unit-of-production basis over the estimated recoverable oil and gas reserves. Costs associated with unsuccessful properties are written off at the time such properties are abandoned or surrendered. Maintenance and repairs are charged to income when incurred and betterments which extend the service life of equipment are capitalized.

NOTE 3—Acquisitions:

On February 9, 1970, the Company acquired all the outstanding shares of Vaneil Properties, Inc. for 326,531 shares of common stock. On June 30, 1970, the Company acquired all the outstanding shares of Pocantico Oil and Gas Corp. for 140,000 shares of common stock. On July 2, 1970, the Company acquired all the outstanding shares of Ocean Platinum Company for 13,412 shares of common stock. The assets of these companies consisted principally of oil and gas properties, marketable securities and minority holdings of common stock in certain oil and gas companies (Note 4).

During the period from February 9, 1970, to April 30, 1970, the marketable securities of Vaneil were sold for cash of \$4,786,000. The net assets of Vaneil at date of acquisition had an estimated fair value of \$4,870,000, after provision for an estimated \$1,465,000 capital gains tax on sale of the marketable securities. The net assets of Pocantico and Ocean Platinum at dates of acquisition had estimated fair values of \$1,470,000 and \$209,235, respectively. The acquisitions were recorded as purchase transactions for accounting purposes and hence the assets and liabilities of the companies were recorded at estimated fair values. The statement of loss includes the operations of such companies from their respective dates of acquisition.

NOTE 4—Investments:

Investments at August 31, 1970, were as follows:

	Common Shares	Cost	Indicated Market Value
United Bata Resources Ltd.	450,000	\$1,427,947	\$1,441,443
Panoil Company	355,000	710,000	798,750
International Petro Data, Inc.	97,159	60,000	24,290
Coastal Plains Oil Company	239,890	125,000	—
		<u>\$2,322,947</u>	

The 450,000 shares of United Bata were acquired for cash. Such shares represent approximately 5.3% of the outstanding shares at August 31, 1970, (Notes 10 and 11).

The 355,000 unregistered shares of Panoil represent approximately 4.4% of the outstanding shares at August 31, 1970. The investment in Coastal represents approximately 5% of the outstanding shares. The principal asset of Coastal consists of a royalty interest in undeveloped properties. There is no quoted market price for Coastal's common stock.

NOTE 5—Developed Oil and Gas Properties:

Developed oil and gas properties are summarized as follows:

Producing lands and leases	\$ 8,474,664
Lease and well equipment	1,581,574
Pipelines	1,146,442
Gasoline plant and related equipment	1,024,725
Other	108,209
Total	<u><u>\$12,335,614</u></u>

Developed oil and gas properties include certain natural gas wells and related facilities in Crockett County, Texas, received in exchange for 454,366 shares of common stock. The net assets received were recorded at a total amount of \$7,850,000. Such amount is supported by estimates made up by an independent appraisal engineer of future cash flow discounted at 8%.

Pentagon Petroleum, Inc. and, indirectly, another shareholder of the Company held significant interests in the Texas properties prior to the above exchange.

NOTE 6—Undeveloped Leaseholds and Mineral Rights:

A portion of the Company's interests in undeveloped leaseholds and mineral rights involved the assignment of interests from Pentagon Petroleum, Inc. for 500,001 shares of common stock and acquisition of all the outstanding stock of Saratoga Minerals, Ltd. for 375,000 shares of common stock. Saratoga was a non-affiliated company whose only asset consisted of interests in undeveloped leases and concessions in the Norwegian North Sea, Dutch North Sea, South Africa, and South West Africa. The Pentagon assignment comprised an interest in the Maldive Islands (Indian Ocean) and interests in the same leases and concessions held by Saratoga. The Pentagon and Saratoga interests were recorded at \$1,000,002 and \$750,000, respectively. In the opinion of the Board of Directors, such amounts represented the fair value of the properties at date of acquisition.

Undeveloped leaseholds and mineral rights also include a \$2,000,000 cash bonus for concession acreage in the Trucial State of Abu Dhabi.

NOTE 7—Long-Term Debt:

Long-term debt at August 31, 1970, includes the following:

Convertible note, due July 1, 1985, with interest at 8%	.....	\$10,000,000
Notes payable to banks, due October 6-19, 1970, with interest averaging 9% (to be refinanced)		2,075,000
Other notes payable, due January 1, 1972, with interest at 5%	.....	1,953,557
		<u>\$14,028,557</u>
Less amounts included in current liabilities as due within one year	.....	500,000
		<u>\$13,528,557</u>

On July 21, 1970, the Company received from Pioneer Lands Corporation \$10,000,000 cash for an 8% Convertible Note which is convertible into common stock of the Company at \$12.50 per share. If full conversion were effected, 800,000 shares would be issued by the Company to Pioneer. The Company may prepay the Convertible Note at any time subject to certain prepayment penalties. Pioneer lands Corporation is principally owned by one of the founders of the Company (Note 1).

\$850,000 of notes payable to banks is secured by pipeline, equipment and contract rights relating to certain developed natural gas properties. Negotiations are in progress to refinance notes payable to banks in the total amount of \$2,075,000; accordingly, only \$500,000 of such amount has been included in current liabilities. The remainder of \$1,575,000 is expected to be payable in approximate equal amounts over the three years ending August 31, 1974.

NOTE 8—Common Stock and Stock Option Plan:

On August 22, 1969, pursuant to a Stock Purchase agreement dated as of May 31, 1969, between the Company and an officer, the Company issued 60,000 shares of common stock for \$160,000 in cash. In connection with this transaction, the Company on August 25, 1969, loaned such officer \$160,000 with interest at 7% per annum to be repaid in equal installments on June 1, 1971, 1972, and 1973. The Agreement provides that such shares are subject to certain restrictions which, if violated, may result in forfeiture of the shares. Such restrictions lapse with respect to 30,000 shares on May 31, 1971, with respect to an additional 15,000 shares on May 31, 1972, and on the remainder of the shares on May 31, 1973. In the event any of the shares are forfeited, the Company is obligated to repurchase such shares for the purchase price thereof (\$2.67 per share).

The Company has a qualified stock option plan which was ratified by the shareholders on March 5, 1969, to grant options for up to 300,000 shares. The Plan provides for the purchase of stock at a price of 100% of the fair market value of such stocks on the date each option is granted. The options expire up to five years from dates of grant and no option is exercisable unless the grantee remains in the employ of the Company for one year after date of grant.

Under the qualified stock option plan ratified by the shareholders on March 5, 1969, an option was granted to an officer in December, 1968, to purchase up to 180,000 shares of common stock at a price of \$.16 $\frac{2}{3}$ per share. This option was exercised one year from the date of grant. Option transactions during the eight months ended August 31, 1970, are summarized as follows:

	Number of Shares	Per Share	Total
Shares under option at August 31, 1970	114,500 (a)	\$8.00-\$21.00	\$1,128,500
Options which become exercisable during the eight-month period ended August 31, 1970	79,500	\$8.00	\$ 636,000
Options exercised	None		None

(a) Of the 114,500 shares under option, 35,000 shares are cumulatively exercisable in installments over a period of four years, 8,750 shares becoming exercisable in each of the years 1971-1974.

At August 31, 1970, 5,500 additional shares were available for future granting of options under the plan. Upon exercise of any of the option rights, amounts received in excess of the par value of the shares issued are credited to capital in excess of par value. There are no charges to income.

NOTE 9—Commitments and Contingent Liabilities:

The agreements, leases and permits through which the Company holds direct and indirect interests in undeveloped leaseholds and mineral rights involve various obligations in the form of exploratory work programs and drilling of wells in order to retain the rights to the acreage. At August 31, 1970, the Company had commitments for the remainder of 1970, and for the years 1971, 1972, and 1973, of approximately \$365,000, \$1,070,000, \$1,827,000 and \$1,371,000, respectively.

The Company has a ten-year lease for office space at a yearly rental cost of approximately \$400,000.

The Company has entered into an agreement to acquire all the outstanding shares of Interocean Oil Company, Inc. Subject to the Company's satisfaction regarding certain title matters, the Company will issue approximately 95,000 shares of its common stock in the exchange. Also, the Company has guaranteed loans of Interocean Oil Company, Inc. totalling \$412,000.

NOTE 10—Investment in Bata:

On July 27, 1970, Pan Ocean agreed to purchase a 5¾% convertible debenture for \$7,000,000 (Canadian dollars) from United Bata Resources Limited (BATA), a Calgary, Alberta, company with a substantial interest in a gas field and gas plant scheduled for completion in December, 1970, at Strachan, Alberta. It is anticipated that the Debenture closing will take place on November 5, 1970, at which time the Company's current assets will be reduced by \$7,000,000 (Canadian). The Debenture is due October 31, 1975, with interest payable semi-annually. It is convertible into common stock of Bata at \$3.75 (Canadian) per share. The debenture will be redeemable in whole or in part after two years at premiums varying from 6% to 2% and will require sinking fund payments during the fourth and fifth years equal to 50% of Bata's net income during each of those years, with minimum payments of \$1,750,000 during each of such fourth and fifth years.

Concurrently, Pan Ocean accepted two share purchase warrants. The first warrant gives Pan Ocean the right to purchase up to one million shares of Bata from date of issuance of warrant until October 31, 1973, at \$4.00 (Canadian) per share. The second warrant gives Pan Ocean the right to purchase up to one million shares of Bata from date of issuance of warrant until October 31, 1975, at \$6.35 (Canadian) per share. If the Debenture were converted and both warrants were fully exercised, Pan Ocean would acquire 3,866,667 shares of Bata at a principal cost of \$17,350,000 (Canadian). On June 30, 1970, there were 8,481,460 shares of Bata outstanding and 920,000 shares were unissued but reserved for issuance under options and stock purchase warrants.

In addition, Pan Ocean Oil (Canada) Ltd., wholly-owned subsidiary of the Company, agreed, subject to certain conditions, to sell to Bata its net interest of approximately 3,300,000 acres in certain exploratory permits located largely in the Arctic Islands, Hudson Bay, and Canadian East Coast offshore, and a 10% working interest in a North Sea permit comprising 110,000 acres, in exchange for 500,000 newly issued shares of Bata. Consummation of this transaction is contingent on approval of certain matters by Bata and its counsel.

NOTE 11—Proposed Merger With Bata:

On September 21, 1970, Pan Ocean and United Bata Resources Limited (Bata) agreed in principle to a plan of reorganization whereby the companies would combine their operations and assets. Shareholders of Bata would receive one common share of Pan Ocean in exchange for three common shares of Bata. Pan Ocean would be the surviving corporation with the present management and employees of Bata continuing operations as a subsidiary of Pan Ocean. The agreement in principle is subject to the execution of a definitive and formal agreement to be approved by the boards of both companies, the obtaining of satisfactory rulings from taxation and regulatory authorities, the listing of the common stock of Pan Ocean on a recognized securities exchange in Canada and approval by 75% of the shares of Bata voted or represented at the stockholders meeting.

The reorganization is to be effected as promptly as practicable, with target date being December 31, 1970. If all the 9,401,460 Bata shares outstanding and reserved for issuance as of June 30, 1970, were exchanged for Pan Ocean shares, it would require the issuance of 3,133,820 additional shares by Pan Ocean. Outstanding shares of Pan Ocean would then total 7,675,936.

PAN OCEAN OIL CORPORATION

110 EAST 59TH STREET
NEW YORK, N. Y. 10022

June 10, 1970

Dear Shareholder:

We wish to bring to your attention two recent events of importance which occurred after the 1969 Annual Report was closed.

First, an event of major significance to the company occurred on June 7 when Pan Ocean executed a concession agreement with His Highness, the Ruler of Abu Dhabi, for 778,000 acres in the Arabian Gulf. The company was notified on June 2 that Pan Ocean had been selected as the successful applicant for the concession. Pan Ocean, which holds a 60% interest in the acreage, is the first independent oil company to be granted a concession in Abu Dhabi. No wells have ever been drilled on the concession acreage.

Abu Dhabi, a Trucial State bordering Saudi Arabia, is one of the major oil producing countries of the Middle East. Oil was first discovered offshore Abu Dhabi in 1958. Current production recently surpassed 650,000 barrels of oil per day and is rapidly increasing. Although the area of Abu Dhabi is only about 10% the area of Texas, proven oil reserves of Abu Dhabi presently equal approximately half of the total oil reserves of the United States.

The Abu Dhabi agreement calls for an 8 year work program involving expenditures of \$19 million. It also calls for a \$2.5 million signature bonus and a total of \$9 million in production bonuses upon reaching oil production levels of 15,000, 100,000 and 200,000 barrels of oil per day. His Highness, Sheikh Zaid Bin Sultan Al Nahaiyan, has the right to purchase a 50% interest in the event of commercial discovery.

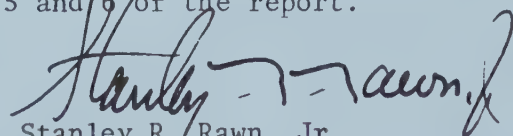
A second important event occurred on June 8 when the British government announced that Pan Ocean had been awarded an exploration license covering Blocks 16/3 and 16/7 in the U.K. North Sea. The company has a 40% interest in the license. In the event of a commercial discovery the British government has the right to purchase a 20% interest. The two blocks are located in the same tertiary basin as two recent major oil discoveries that have directed widespread industry attention to the North Sea.

Work will begin immediately to design a program for a marine seismic survey of the Abu Dhabi and U.K. North Sea areas.

Applications for the two areas were pending at the time the Annual Report was closed, and are discussed on pages 5 and 6 of the report.


William W. Peabody
President

Cordially,


Stanley R. Rawn, Jr.
Chairman of the Board

Interim Report
to Shareholders

Eight Months Ended
August 31, 1970

110 East 59th Street
New York, N. Y. 10022

515 Majestic Building
Denver, Colorado 80202

pan ocean oil corporation

November 19, 1970

Dear Shareholder:

We are pleased to take this opportunity to present our interim financial report as of August 31, 1970 and to bring you up to date on some important corporate developments as well as a progress report on Pan Ocean's exploration programs.

**PROPOSED ACQUISITION OF UNITED BATA
RESOURCES LIMITED (N.P.L.)**

Your Board recently approved an agreement to acquire United Bata Resources Limited (N.P.L.), of Canada. United Bata's primary asset is its holding in the prolific Strachan and Ricinus areas in west central Alberta. The Strachan gas field, which was discovered by a predecessor company of United Bata in 1967, contains substantial reserves, the limits of which have not yet been defined by development drilling. Engineering estimates indicate total undiscounted future cash flow to United Bata from presently proven reserves to be approximately \$86 million over the next 25 years, based on the executed contract with Trans-Canada Pipelines Limited, the gas purchaser. In addition to the presently developed acreage, United Bata holds varying interests in another 50,000 acres in the Strachan-Ricinus area on which further exploratory drilling is planned during 1971.

United Bata also has a 20% interest in a gas processing plant in the Strachan area with an initial capacity of 250 million cubic feet per day, which is scheduled to commence gas deliveries to Trans-Canada in January 1971. United Bata's contract with Trans-Canada for the sale of its proportionate share of the gas processed by the plant has a duration of twenty-five years and is at an initial price of 15.50¢ per mcf.

In addition to its interest in the Strachan-Ricinus gas fields, United Bata has land holdings, largely undeveloped, elsewhere in Canada and in the United States totaling 1,255,196 net acres.

The terms of the agreement with United Bata call for the liquidation of United Bata and the distribution to its shareholders of one Pan Ocean share of common stock for every three shares of United Bata. There are presently 4,542,116 shares of Pan Ocean stock outstanding. If all the 9,401,460 United Bata shares outstanding and reserved for issuance as of August 31, 1970 were exchanged for Pan Ocean shares, it would require the issuance of 3,133,820 additional shares by Pan Ocean, and outstanding shares of Pan Ocean would then total 7,675,936. If the acquisition is successfully consummated, Pan Ocean shares will be listed for trading on the Toronto Stock Exchange. Pan Ocean will, of course, also continue to trade on the Over-The-Counter market in the U.S. United Bata is traded on the Toronto Stock Exchange and has approximately 7,000 shareholders of record.

The shareholders of United Bata will vote on the proposed acquisition on December 15, 1970. No approval is required of Pan Ocean's shareholders. Assuming favorable shareholder action by United Bata, it is anticipated that the acquisition will be consummated before year end. (An affirmative vote is required by 75% of the United Bata shares voting at the shareholders meeting.)

Prior to negotiation of the acquisition, Pan Ocean had agreed with United Bata to purchase from them a \$7 million, 5¾% convertible debenture due October 31, 1975, immediately convertible at an initial conversion price of \$3.75 per share, with warrants attached. If the United Bata shareholders vote in favor of the acquisition, a normal parent-subsidary relationship will exist and Pan Ocean will provide capital to its subsidiary as appropriate. If the United Bata shareholders fail to vote in favor of the acquisition, Pan Ocean will purchase the convertible debenture with warrants.

In addition, prior negotiations between United Bata and Pan Ocean Oil (Canada) Limited resulted in agreement by Pan Ocean to sell to United Bata, in exchange for 500,000 newly issued

shares of United Bata stock, Pan Ocean's interest in certain properties. As with the debenture transaction, the sale of these properties will be consummated only if the shareholders of United Bata fail to approve the acquisition.

FINANCIAL

Your Company's strong financial condition was further strengthened in July by the sale of a \$10 million 8% convertible debenture. This debenture is due in 1985 and is convertible into common stock at \$12.50 per share. The conversion price was arrived at on the basis of the market value of the Company's stock on the date of the transaction.

For financial purposes the Company was deemed to have completed its start-up phase and commenced operations on January 1, 1970. The income statement reflects an operating loss for the eight months period of \$1,378,406, due in large part to the write-off of certain exploratory holdings.

The financial statements presented in this report show that at August 31, 1970 the Company had cash and marketable securities amounting to \$15,277,987 and a working capital position of \$12,823,209. The net worth of the Company stood at \$21,321,638.

LAND HOLDINGS AND EXPLORATION

The Company has just completed a seismic survey on its recently awarded concession in the Arabian Gulf offshore from the Trucial State of *Abu Dhabi*. The concession covers 778,000 acres and Pan Ocean, as operator, has a 60% interest. It is anticipated that the results of the seismic program, which covered 758 miles, will be known in early 1971 and that a well will be commenced shortly thereafter.

The Company has increased its holdings in the *North Sea*, which is now established as a major oil producing area. Just through the first ten

months of this year, eight fields have been discovered in the North Sea Tertiary Basin. Seismic studies have developed a drillable prospect on Block 11/10 in the Norwegian North Sea and it is anticipated that a well will be drilled here during 1971. Pan Ocean's interest in Block 11/10 is 21%. Block 25/4, also in the Norwegian North Sea, and adjacent to a recent oil discovery by Esso, is expected to be formally awarded shortly. Pan Ocean, which has a 50% interest in Block 25/4, has previously conducted a seismic survey in the area which revealed a drillable structure within the Block. In the Dutch North Sea, the Company has been advised by the Government that its application for a license covering Block Q-14 will be granted. In the U.K. sector of the North Sea, Pan Ocean has recently completed a seismic survey on Blocks 16/3 and 16/7, in which we hold a 40% interest. These two Blocks, which are along the mid-axis of the North Sea Tertiary Basin, are considered highly prospective.

A test well is presently being drilled offshore *Ghana* on acreage in which Pan Ocean has an interest. The well presently is at a depth in excess of 13,000 feet and is undergoing testing.

In *Turkey* a test well which was recently drilled on our acreage at no cost to the Company was abandoned after encountering non-commercial quantities of oil.

Seismic programs have been completed on Pan Ocean's holdings in *Indonesia* and the *North Slope of Alaska*, and the results are now being interpreted.

A seismic survey is currently under way on Pan Ocean's acreage in the *Adriatic Sea*.

Within the next few weeks, seismic programs will be commenced on the Company's acreage in the *Maldiv Islands*. These are to be carried out under terms of a recent agreement entered into with a major company and will be conducted at no cost to Pan Ocean. Pan Ocean has granted

that company an option to acquire a portion of its interest in the concession.

A photogeological survey of OPL 51 in *Nigeria* has just been completed and the results are encouraging. A seismic group will be moving into the area within a few weeks to begin an extensive seismic program for us in the area.

One of the most prospective interests recently acquired is a 66.3% participation in a 725,000 acre concession located offshore *Ecuador*. Union Carbide Petroleum Corporation has entered into an agreement to acquire half of our interest. It is anticipated that a seismic survey of the area will commence in December.

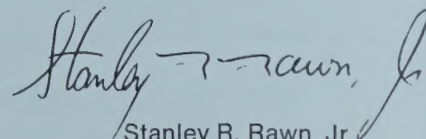
The Company has also acquired a half interest in a 2,560,000 acre concession located offshore *Sierra Leone*. The other 50% interest in the license is held by Union Carbide. A seismic survey of the concession area was recently completed and the results are being interpreted.

The Company is presently negotiating with Chinese Petroleum Corporation for a concession covering 400,000 acres offshore *Taiwan*.

Other interests: Your Company is continuing to increase its holdings of prospective acreage around the world. We presently have, or expect to have shortly, interests in 71,563,756 gross acres and 23,653,268 net acres located in the United States and eighteen foreign countries.

As always, we are most appreciative of your interest and support.

Respectfully submitted on behalf of the Board of Directors.


Stanley R. Rawn, Jr.
Chairman of the Board

CONSOLIDATED STATEMENT
OF LOSS AND DEFICIT
For the Eight Months Ended
August 31, 1970

REVENUES:

Sales and other operating revenue	\$ 488,828
Interest income	306,188
Gain on sale of securities	82,486
Other income	32,106
	<u>\$ 909,608</u>

COSTS AND EXPENSES:

Lease operating expenses	260,460
Depletion, depreciation and amortization	166,994
Abandonments of interests in undeveloped leaseholds and mineral rights	916,503
Preoperating expense	52,521
Interest expense	206,512
General and administrative expenses ..	685,024
	<u>\$2,288,014</u>
Net loss for the period and deficit at August 31, 1970	<u>(\$1,378,406)</u>

NET LOSS PER COMMON SHARE

(based on weighted average shares outstanding of 4,220,961)	<u>(\$.33)</u>
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CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	August 31, 1970	December 31, 1969
Current assets:		
Cash	\$ 1,488,512	\$ 3,105,522
Time deposits	12,650,000	1,800,000
Marketable securities, at cost (quoted market value \$1,384,000)	1,139,475	—
Accounts receivable and other assets	733,358	155,829
Total current assets	16,011,345	5,061,351
Investments, at cost	2,322,947	—
Property, plant and equip- ment, less accumulated depreciation, depletion and amortization	19,403,514	8,284,234
Deferred preoperating expenses and income	—	556,934
Other assets	340,615	177,023
Total assets	<u>\$38,078,421</u>	<u>\$14,079,542</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31, 1970	December 31, 1969
Current liabilities:		
Notes payable and current portion of long term debt	\$ 900,000	\$ 150,000
Accounts payable and accrued liabilities	1,067,262	411,319
Income taxes payable	1,220,874	36,364
Total current liabilities	3,188,136	597,683
Long term debt	13,528,557	—
Minority interest	40,090	40,000
Shareholders' equity:		
Common stock \$.01 par value—authorized 10,000,000 shares; issued and outstanding 4,542,116 shares (3,812,604 in 1969)	45,421	38,126
Capital in excess of par value	22,654,623	13,403,733
Deficit	(1,378,406)	—
	<u>21,321,638</u>	<u>13,441,859</u>
Total liabilities and shareholders' equity	<u>\$38,078,421</u>	<u>\$14,079,542</u>